AGENDA

I. Welcome and Call to Order

II. Minutes of the Last Meeting

III. State Budget Update – May Revise

IV. P2 Enrollment Report

V. Internal and External Communications

VI. Tentative Budget Preview
   - Budget Proposal
   - Other Resources

VII. Golden Handshake

VIII. 2016
   - 2012-13 Outlook
   - The Hole/Whole Analysis
   - The Task
   - The Revenue Options
   - The Principles
   - The Objectives
   - The Numbers

IX. Next Meeting
   - ____?____ 2011

X. Adjournment
I. Meeting was called to order

Dr. Buysse introduced David Bobbit, acting Vice President, Business Services for the Moreno Valley College.

II. Minutes

The minutes of the February 11, 2011 meeting were reviewed and approved without change.

III. State Budget Update

Dr. Buysse gave an update on the status of State budget issues:

- Governor’s “May Revise” budget proposal for community colleges is similar to January’s proposed budget, but with positive news (sees handouts).
  - Increase in revenue for 2010-11 and 2011-12 ($6.6 billion combined)
  - Modification of tax proposals
- Prop 98 increase to $52.4 billion
- Suspension of funding for selected mandates
- No proposal for census reform
- No new policy reform proposals
- We are still in a “wait and see” mode

IV. **P2 Enrollment Report**

Dr. Buysse distributed a copy of the Second Period 2010-2011 Apportionment Attendance Report (see handout). Summary of report:

- 2,242 Unfunded Credit FTES - Approximately
- 2 Unfunded Non-Credit FTES - Approximately
- 29,120 Credit FTES
- 80 Non-Credit FTES

V. **Internal and External Communications**

Jim Parsons discussed the District’s intranet website and the importance of information getting out from this group. They have developed easy-to-use tools for distributing information out to the community:

- Using “RCCD All” List serve
- Social media sites
- Alert-U through phones
- He has developed a “Budget Myths vs. Facts” FAQ sheet to be posted in the Chancellor’s Budget Message section on the RCCD internet. He would like feedback from the DBAC group with suggestions and will bring back revision for final approval before website posting (see handout).

VI. **Tentative Budget Preview**

Aaron distributed the Tentative Budget for 2011-2012 which will be presented at the June Board meeting. The Tentative Budget is a continuing authorization to provide spending authority from July 1st to the adoption of the Final Budget. We are in effect taking this year’s budget and rolling it over (with certain modifications) until the Final Budget is approved in September (see handout).
VII. Golden Handshake

Dr. Buysse updated the group on the 2011 Golden Handshake offered by the District as a budget strategy for the FY 2011-2012:

- Best offer to classified staff in RCCD’s history
- Two retirement dates - June 30th and December 31st
- Notification date for June 30th is June 8th
- Notification date for December 31st is August 31st
- So far 90 people have attended the PARS meetings
- Possible STRS offering in December

VIII. 2016

Dr. Buysse started a discussion regarding RCCD’s outlook for FY 2012-2013. He handed out a paper by David Wolf regarding Community Colleges - changes and reforms (see handout).

IX. Next Meeting

This will be a longer meeting than normal so that the May 27th Agenda item number VIII discussion can be finished. The meeting will take place Monday, June 13th, - 10:00 a.m. to 1:00 p.m. in DL 409 and will be a brown bag meeting.
The Big Picture – On Monday May 16th the Governor released his annual May Revision. Relative to the budget proposal issued in January, the news is largely positive. The Department of Finance has identified an increase in revenue of $6.6 billion covering the 2010-11 and 2011-12 years. Combined with the significant legislative actions taken in March, the scope of the budget gap identified by the Governor has been reduced from $26.6 billion to $10.8 billion. The following summarizes how we’ve gotten to this point:

- $26.6 Billion gap identified in January
- $14 Billion in cuts and other solutions approved in March
- $0.6 Billion in erosions of March package (due to implementation delays)
- $1.0 Billion due to Proposition 10 litigation
- $6.6 Billion in GF revenues identified in May Revision
- $2 Billion in new costs
- $1.2 Billion for a budget reserve
- $10.8 Billion

The new revenue allows the Governor to increase funding for Proposition 98 and modify his tax proposals. Proposition 98 funding increases by about $3 billion (to a total of $52.4 Billion), though these expenditures largely consist of a buyback of inter-year deferrals rather than new programmatic spending. The big changes to his tax proposals include a delay on extending the personal income tax surcharge until 2012. Also, the Governor would back away from eliminating enterprise zone tax credits to a reform of the program that would provide credit only for new hires. As it is too late for a ballot vote for the 2011-12 fiscal year, the Governor suggests that taxes would be extended by a direct vote of the Legislature and would later be ratified by the voters, though he does not propose a specific time frame.

Perhaps revealing some concerns that the increase in revenue may make the push for tax extensions more politically difficult, the May Revision summary focuses a great deal of attention on what the Governor refers to as a “wall of debt.” The Governor identifies approximately $35 billion in state borrowing from deferrals, bond debt, special fund borrowing, Proposition 98 maintenance factor costs and other obligations. The Governor endorses a 5-year plan to reduce the debt starting with the buying back of $3 billion in education deferrals and a reduction in special fund borrowing of about $750 million in 2011-12. The Governor further suggests that any new revenues that materialize over the next few years should go toward retiring obligations prior to funding new program costs.

Community Colleges – The May Revision proposes to keep the most of the actions taken on the CCC budget earlier in the year intact (a $400 million base reduction plus an increase of fees of $10 per unit) while using the new revenues to buy back $350 million in inter-year deferrals. This proposal would reduce CCC deferrals from $961 million to $611 million. Effectively, the workload reduction of approximately 4.9% identified earlier in the year does not change under the Governor’s May proposal.
The May Revision also identifies $57 million in increased current year property tax revenues without making a corresponding reduction in our General Fund appropriation, which should help mitigate a deficit in 2010-11 apportionments.

Other notable changes include the suspension of the Health Fees, Sexual Assault Response Procedures, Reporting Improper Governmental Activities, Student Records, and Prevailing Wage Rate mandates, with intent to eliminate them or make them optional. Additionally, the May Revise proposes to offset mandate costs for the Enrollment Fee Collections and Waivers and the Tuition Fee Waivers mandates be offset by existing local assistance funding.

Notably, there is no proposal for census reform or for any other significant policy change.

**Doomsday?** — In the event tax extensions are not approved, the May Revision summary speaks in broad terms about reductions to education (additional $500 million in cuts to each of UC and CSU and a $5 billion cut to Proposition 98), though the Governor chose not to specify how these reductions would be taken. Given the $6.6 billion in new revenues, though, it seems unlikely that the CCCs would be subject to the worst case scenario spelled out in February by the LAO. In an all-cuts budget, we would expect that the first cuts to the CCC budget would be to eliminate the $350 million in deferral restoration. While reductions could potentially go beyond that level, it appears unlikely that total reductions would exceed $100 million to $150 million beyond what the system received in March. Potentially, some of this reduction would be mitigated by an increase in fees beyond the $36 per unit level. In short, while risks remain, the increase in revenues has somewhat mitigated the doomsday scenarios feared in the spring.

**Assessment** - Our initial assessment is that, on the whole, the May Revision represents a balanced approach to filling the estimated budget gap. While some other budget proposals, such as the plan recently released by the Assembly Republican caucus, have suggested that education funding could be protected without tax extensions, it would seem to be politically infeasible to have such a budget approved by the Legislature and Governor given the level of reduction to social service programs such an approach would require. There’s little doubt that tax extensions provide much more security to the budget picture for the CCCs and for the state as a whole.

As noted earlier, the May revision appears to reveal some concern on the part of the Governor that the argument to extend taxes is weakened by the unexpected increase in revenues. This would help explain the focus on existing budgetary debt and future obligations. The proposal to use new revenues to buy back CCC deferrals rather than cuts is consistent with this approach. The Governor has taken many actions (e.g., restrictions on state travel and cell phones, the proposed elimination of many boards and commissions) meant to show that he is frugal and will not ask the voters for tax extensions without first reducing what he perceives as low-priority or unnecessary expenditures. Reducing existing debt before restoring programs is in line with this approach and may make sense politically.

Further, it was comforting to see that the Governor does not propose any new policy reforms for the CCCs in this late stage of the game. We hope this reflects a belief that large institutions need time to implement changes and that any reforms are best made with input from those who must make them happen on the ground.
While the Governor’s May Revision does little to harm the CCCs relative to actions taken earlier in the year, many potential pitfalls and questions still remain:

- **Will tax extensions be approved?** This is the $10 billion question. If legislators could not agree to a deal when there was a $15 billion problem, does it get any easier when the problem is $10 billion? Difficult negotiations remain and the outcome could seriously impact the CCC budget.

- **How solid are the revenue estimates?** The Department of Finance has been unable to thoroughly explain why the revenues have improved so significantly since the January estimate. If those figures slip, that could result in downward revisions to the CCCs.

- **Try and try again –** The Governor continues his push for eliminating redevelopment agencies and for realignment. Will those proposals be more successful now than they were in March?

- **What will the Legislature do?** The May Revision represents the Governor’s plan, but the Legislature will also have their say. They may have a different set of programmatic priorities. Would they favor social programs over meeting the Proposition 98 guarantee? They may also show more interest in restoring programmatic reductions than in addressing debt. While the Governor has not proposed any policy changes for the CCCs, will the Legislature take the same approach? Legislative hearings are not slated to begin until the week of May 23rd, so we will learn more about any differing approaches at that time.

We’ll do our best to monitor the budget situation and keep you posted on any new developments. In addition to email, I also provide updates on state budget activities through twitter (@cccbudgetnews). I hope you’ll join us there, and I hope you feel free to contact me with your questions or concerns.

Sincerely,
Dan Troy

Vice Chancellor for Fiscal Policy
Chancellor’s Office of the California Community Colleges
dtroy@ccccco.edu
(915) 445-0540
Governor's May Revision—No Further Cuts for Community Colleges

The Governor just released his May Revision of the 2011-12 State Budget. In it he recognizes $2.8 billion in additional revenue for 2010-11 and $3.5 billion in additional revenue for 2011-12, which, along with some other minor adjustments, totals $6.6 billion in increased revenues. The Governor cautions against expectations that this revenue erases the Budget problem by pointing out that the ongoing structural deficits continue. The structural deficit includes K-14 education’s cash deferrals.

Revenues, Proposition 98, and Community Colleges

To balance the Budget, the Governor assumes extension of the temporary taxes, very similar to that proposed in his January Budget—the 0.25% surcharge on the income tax, the 1¢ increase in the sales tax, the 0.5% increase in the vehicle license fee, and the reduction in the dependent deduction. The tax extensions are assumed to be for five years, except that the 0.25% surcharge is proposed to be reinstated in 2012 and effective for four years. The Governor also assumes reform, rather than elimination, of enterprise zones.

Between the additional tax revenues recognized and the planned continuation of temporary taxes, the minimum funding level for Proposition 98 has increased to $52.4 billion, a $3 billion increase from the January Budget. The Governor notes that this is the "highest the guarantee has been since 2007-08." However, this increase in Proposition 98 funding will not translate into additional per-student funding to education, nor an offset to the cut made to community colleges. Rather, the Governor does the following:

- Affirms the $290 million reduction to apportionments resulting from the January Budget and subsequent negotiations in the Legislature
- Affirms the enacted enrollment fee increase to $36 per unit
- Reduces the community colleges' $961 million year-end deferral by $350 million, to $611 million
- Makes adjustments for changes in local property tax estimates in the current year and the budget year
- Eliminates funding for selected mandates based upon the recommendations of the K-14 mandates workgroup

X Refrains from proposing program reforms such as the census date change included in the Governor’s January Budget
- Reduces the K-12 education year-end deferral by $2.5 billion
- Makes other, more minor changes, to the K-12 education budget

The $350 million reduction in year-end community college deferrals eliminates the new $129 million deferral for 2011-12 that was proposed in January and buys out $221 million in current deferrals. This has the effect of not increasing local spending authority but providing some protection against additional cuts due to a failure of the tax extensions—in which case the reduction in deferrals can be
reversed instead of, or to offset, additional cuts. There is no explanation in the May Revision as to why the $290 million apportionment reduction was not bought out instead.

If the temporary taxes pass, the Proposition 98 funding level is at $52.4 billion; if they fail, the Proposition 98 funding level drops to approximately $50.8 billion, a reduction of $1.6 billion for K-14 education. Both of these numbers are above the $49.5 billion funding level provided for education in 2010-11. Absent a suspension of Proposition 98 for 2011-12, the drop in funding on the natural due to the expiration of the temporary taxes will not exceed the $2.85 billion buyout of K-14 education's cash deferrals in this May Revision.

While the Governor does not make a specific proposal in the May Revision if the taxes are not extended, he does include a discussion about the possibility of an "all-cuts" Budget. He acknowledges that a $5 billion reduction in Proposition 98 funding would be education's share of the solution. To cut that deeply into Proposition 98 would require a suspension of Proposition 98, which the Governor has stated that he is not willing to do.

Regardless, he states that a $5 billion reduction in Proposition 98 funding would be equivalent to eliminating 52,000 community college courses or raising the enrollment fee to $125 per unit, along with significant changes in the structure of K-12 education. It would also entail an additional $500 million cut each to the University of California and California State University systems.

The Rest of the Budget

The Governor identifies $10.8 billion needed in Budget solutions, including a $1.2 billion reserve. While the revised spending proposal includes a total of $655 million in new proposals to lower state spending, the majority of the solutions detailed are taxes, assuming a net gain of $8.3 billion in revenues for 2011-12.

Leading up to the May Revision, the Governor has made a point of highlighting the efficiencies implemented since he has taken office, most recently the proposed elimination of the Unemployment Insurance Appeals Board. The Governor proposes eliminating 42 additional boards, commissions, task forces, offices, and departments, which would save $82.7 million. Included in this list is the California Postsecondary Education Commission, the functions of which the Governor cites "are either advisory in nature or can be performed by other agencies." The May Revision also reduces state personnel by approximately 5,500 from 2010-11 to 2011-12.

Compared to the January Budget Proposal, the Governor's May Revision adds funding to the Department of Corrections and Rehabilitation ($415 million) and the Department of Mental Health ($50 million), both of which he states were previously underfunded. The Governor no longer assumes the savings from shifting $1 billion in Proposition 10 dollars to fund health services for children, although this proposal was adopted by the Legislature, due to litigation pending against this shift.

Conclusion

The bottom line is that we are still in a "wait and see" mode. We need to wait and see, once again, whether a tax extension measure gets placed on the ballot, and then we'll need to wait and see whether the ballot measure is successful. Meanwhile, the $290 million cut remains, and if the Governor's revenue proposals are not implemented, there is the $350 million cash deferral cushion against additional cuts to community colleges. We hope that, if that cushion does not have to be used because either the tax extensions are successful or state revenues increase on the natural, at least the $290 million apportionment cut can be eliminated instead.
—Michelle McKay Underwood and Sheila G. Vickers

posted 05/16/2011
Assembly Republicans Weigh In with Proposed Budget Solutions

The Assembly Republican Caucus has released its proposal to close the 2011-12 State Budget gap without suspending Proposition 98 and without raising taxes. Although the document includes suggestions that will be problematic for Democrats, it does provide a roadmap for closing the Budget gap without additional cuts to education. Click here to view the Assembly Republican Plan.

The Assembly Republican approach incorporates $2.5 billion in increased revenues for the current year and a similar amount for 2011-12. The increased revenues are used to eliminate additional cuts to education due to the expiration of the temporary tax increases scheduled to sunset on June 30, 2011.

Other elements of the plan include a modified version of the Governor's redevelopment proposal, as well as the adoption of $1.3 billion in cuts that were proposed by the Governor in January, but rejected by the Legislature. Also included is the increased use of funding from Propositions 10 and 63 to offset General Fund expenditures. The proposal also assumes $1.1 billion in savings in the state workforce and provides a reserve of between $100 million and $800 million.

Assembly Republicans are on record opposing the suspension of Proposition 98. Assembly Speaker John A. Perez (D-Los Angeles) has repeatedly stated that there are no votes in the Assembly for an all-cuts Budget in general and for further cuts to education in particular.

The next move in the State Budget dance comes from the Governor on Monday, May 16, with his release of the May Revision. We will share details of that proposal in a Community College Update article soon thereafter.

—Terry Anderson

posted 05/12/2011
BUDGET TIMELINE FOR 2011-12 BUDGET

In the Beginning, there was the

Governor's Budget

January 10, 2011

GOVERNOR'S BUDGET HIGHLIGHTS

- $400 million cut for "Apportionment Reductions and Reforms" 
- Stated intent to enact reforms to census accounting procedures to improve course completion rates
- $400 million represents approximately a 7% cut in funding
GOVERNOR'S BUDGET HIGHLIGHTS

- Fees increased by $10, from $26 per credit unit to $36 per unit
- Would generate $110 million in new revenue to be used to support additional enrollments
- "Additional enrollments" would constitute 1.9% growth, or about 22,700 new FTES or 50,000 headcount.

GOVERNOR'S BUDGET HIGHLIGHTS

- Additional $129 million in inter-year deferrals
- No change to categorical program funding levels
- Extends categorical flexibility provisions for an additional 2 years, to 2014-15.

THE LEGISLATIVE ANALYST WEIGHS IN

- LAO suggests strategies to prioritize course enrollment in a January 20 report:
  - Registration priorities could be altered to favor students making the most progress
  - Caps on the amount of apportionment-funded credits could be instituted
  - Limits on course repetition could help ensure seats for students most likely to complete a degree or certificate program
THE LEGISLATIVE ANALYST ON FEE INCREASES

- LAO report on January 27 states that higher student fees are offset by federal tax credits and tax deductions, thus ensuring California students receive a larger share of federal education assistance.
- Repeats LAO's ongoing messaging that CCC fees are lowest in the nation, and that the lowest income students are not hurt by fee increases due to BOG waivers.

LAO "DOOMSDAY SCENARIO"

- Senator Mark Leno, Chair of Senate Budget and Fiscal Review Committee, asked LAO for alternative options in case tax extensions didn't occur.
- LAO presented multiple options in a letter dated February 10.
- Possible actions affecting community colleges would total $685 million if all were enacted.

LAO "DOOMSDAY SCENARIO"

- 90-unit cap on subsidized credits
- Fee increase to $66 per unit
- Reduce funding for basic skills credit courses to non-credit rate
- Eliminate state subsidy for intercollegiate athletics
- Eliminate state funding for repetition of PE and fine arts ("activity") classes
- Eliminate state funding for such classes entirely

5/17/2011
**LEGISLATIVE ACTION**

- Senate and Assembly Budget committees began meeting February 18
- Both houses rejected proposed census date reforms; recognition of Student Success Task Force addressing the completion issue
- Agreement that $400 million cut will be taken as a workload reduction
- Both houses also rejected the proposed use of the $110 million fee increase to fund Growth; instead it is a partial offset to the $400 million cut, for a net of $290 million

---

**GOVERNOR’S TIMELINE**

- Governor planned to have budget settled within 60 days and get tax extensions on June ballot
- By mid-March, the 60-day deadline had passed and no Republicans agreed to consider tax extensions
- The June ballot option evaporated
- Early on, the Governor said if the tax extensions weren’t passed, “just double” the cuts proposed in his budget

---

**BUDGET ACTIONS TAKEN**

- Deficit started at $25.4 billion in January
- In March, Legislature passed $13.4 billion in budget solutions, which included:
  - Reducing CalWORKs and Medi-Cal
  - Closing up to 70 state parks
  - Eliminating Adult Day Health Care andウィルソン Act
  - Reducing state workforce by 5,500 positions and requiring employees to pay at least 3% more for their retirement costs
OTHER EVENT

- The tax revenue forecast was revised upward by $2.8 billion for 2010-11 and $3.5 billion for 2011-12 due to higher than anticipated cash receipts.
- This results in an increase in Proposition 98 funding of $3 billion.
- A proposed shift of $1 billion from children's health services is in litigation.
- The sale of state buildings was cancelled.

REPUBLICAN BUDGET

- On May 12, Assembly Republicans put forth a budget proposal with no tax extensions.
- $2.3 billion would be shifted from tobacco tax funded First 5 and Proposition 63 mental health accounts.
- Savings of $1.1 billion from contracting out services, including electronic court reporting and UC operating prison health care.
- Another $1.1 billion cut to state employee compensation, through layoffs or increases to employee health care costs.

CURRENT BUDGET SITUATION

- Deficit now at $9.6 billion with higher revenues and actions taken in March.
- With a $1.2 billion reserve proposed, new target amount is $10.8 billion.
- This represents approximately 11% of the state's General Fund revenues.
MAY REVISION

- Governor’s new proposal focuses on paying down debt and reducing state government
- Eliminates 43 boards, commissions, task forces, offices and departments
- Realigns responsibilities to local government
- Extends current tax levels for sales tax and vehicle license fees, while personal income tax surcharge is not sought for 2011-12 but would be reinstated for 2012-13 through 2015-16.

COMMUNITY COLLEGE IMPACTS

- $3 billion in increased Proposition 98 funding will be dedicated to reversing deferrals
- For Community Colleges, $350 million will reduce the inter-year deferrals from $961 million to $611 million
- Any new Proposition 98 funds will be used to erase deferrals and pay off mandate claims
- For current year, a $57 million increase in property taxes will help mitigate deficit

WHAT IF TAXES DON’T PASS?

- No concrete proposals put forth
- Proposition 98 would be suspended, likely for multiple years
- A potential $5 billion reduction in Prop 98 funding was mentioned, with various alternatives for reaching that amount, including cutting 52,000 courses and/or raising fees as high as $125. These are not actual proposals, just illustrations of the magnitude of the problem if current taxes are not extended.

---

Focus on revenue, not spending. Results from new revenues which is helpful.

Against focusing on debt.

Worst case in between a & D scenarios.

If $5 billion cut, 1st & 2nd quarter would be eliminating reversals of deficit.

More likely $3 billion.

I'm not sure if current spending is sustainable at $5 billion.
Prelim PR est.

- FTEs dropping 2.2% at P1
- Further drop 5.6% at P3

Most in noncredit

- 34% unfunded next year

- 2.2% FTEs some paid back from previous
- Reverts in bump at P1 as B districts are still unknown

Pay Tax $30-35 share Deficit
- Fee Rev $47m share

Cut in term prep
Send money

Debt factor P2 will come down a lot
### Riverside CCD

#### Part I. Full-Time Equivalent Student

<table>
<thead>
<tr>
<th>Description</th>
<th>Attendance FTES* of State Residents (and Nonresidents Attending Noncredit Courses)</th>
<th>Factored FTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Summer Intersession (Summer 2010 Only)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Noncredit (Parts IV.A.1 + VII.A.3.)</td>
<td>18.33</td>
<td>18.33</td>
</tr>
<tr>
<td>2. Credit (Parts III.A.1. + IV.A.1. + VI.A.1.)</td>
<td>2,510.11</td>
<td>2,510.11</td>
</tr>
<tr>
<td><strong>B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Noncredit (Parts IV.B.1 + VII.B.3.)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2. Credit (Parts III.B.1. + IV.B.2. + VI.B.1.)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>C. Primary Terms (Exclusive of Summer Intersession)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Census Procedure Courses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Weekly Census Contact Hours (Part II.)</td>
<td>18,539.39</td>
<td>18,539.39</td>
</tr>
<tr>
<td>(b) Daily Census Contact Hours (Part III)</td>
<td>2,488.10</td>
<td>2,488.10</td>
</tr>
<tr>
<td>2. Actual Hours of Attendance Procedure Courses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Noncredit (Part IV.C.)</td>
<td>61.80</td>
<td>61.80</td>
</tr>
<tr>
<td>(b) Credit (Part IV.D.)</td>
<td>1,659.24</td>
<td>1,659.24</td>
</tr>
<tr>
<td>3. Alternative Attendance Accounting Procedure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Weekly Census Procedure Courses (Part V.) (Credit)</td>
<td>2,538.22</td>
<td>2,538.22</td>
</tr>
<tr>
<td>(b) Daily Census Procedure Courses (Part VI.) (Credit)</td>
<td>1,385.37</td>
<td>1,385.37</td>
</tr>
<tr>
<td>(c) Noncredit Independent Study/Distance Education Courses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Part VII.C.)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>D. Total FTES</strong></td>
<td>29,200.56</td>
<td>29,200.56</td>
</tr>
</tbody>
</table>

### SUPPLEMENTAL INFORMATION **

<table>
<thead>
<tr>
<th>Description</th>
<th>FTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-service Training Courses</td>
<td>600.00</td>
</tr>
<tr>
<td>Basic Skills Courses and Immigrant Education</td>
<td></td>
</tr>
<tr>
<td>1. Non-Credit</td>
<td>71.50</td>
</tr>
<tr>
<td>2. Credit</td>
<td>2,375.00</td>
</tr>
</tbody>
</table>
## Riverside CCD

### Part I. Full-Time Equivalent Student

<table>
<thead>
<tr>
<th></th>
<th>Attendance FTES* of Non-Residents</th>
<th>Factored FTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Summer Intersession (Summer 2010 Only)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Noncredit (Parts IV.A.1 + VII.A.3.)</td>
<td>0.11</td>
<td>0.11</td>
</tr>
<tr>
<td>2. Credit (Parts III.A.2. + IV.A.2. + VI.A.2.)</td>
<td>37.91</td>
<td>37.91</td>
</tr>
<tr>
<td><strong>B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Noncredit (Parts IV.B.1 + VII.B.3.)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2. Credit (Parts III.B.1. + IV.B.2. + VI.B.1.)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>C. Primary Terms (Exclusive of Summer Intersession)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Census Procedure Courses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Weekly Census Contact Hours (Part II.)</td>
<td>413.29</td>
<td>413.29</td>
</tr>
<tr>
<td>(b) Daily Census Contact Hours (Part III)</td>
<td>42.59</td>
<td>42.59</td>
</tr>
<tr>
<td>2. Actual Hours of Attendance Procedure Courses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Noncredit (Part IV.C.)</td>
<td>2.10</td>
<td>2.10</td>
</tr>
<tr>
<td>(b) Credit (Part IV.D.)</td>
<td>20.23</td>
<td>20.23</td>
</tr>
<tr>
<td><strong>3. Alternative Attendance Accounting Procedure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Weekly Census Procedure Courses (Part V.) (Credit)</td>
<td>35.81</td>
<td>35.81</td>
</tr>
<tr>
<td>(b) Daily Census Procedure Courses (Part V.) (Credit)</td>
<td>20.22</td>
<td>20.22</td>
</tr>
<tr>
<td>(c) Non-credit Independent Study/Distance Education Courses (Part VII.C.)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>D. Total FTES</strong></td>
<td>572.26</td>
<td>572.26</td>
</tr>
</tbody>
</table>
FUNDING

M RCCD has not been affected by state budget cuts.
F Reductions in state funding account for more than $11.1 million of the $40 million budget shortfall RCCD has faced over the past three years.

M RCCD is raising student enrollment fees.
F The Governor and State Legislature, not local community colleges, sets enrollment fees.

REVENUE

M RCCD receives state funding for every enrolled student.
F The State Legislature determines how many full-time equivalent students (FTES) it pays for at each community college. RCCD does not receive any money for additional students served.

M RCCD keeps all the enrollment fees collected.
F RCCD keeps only 2% of enrollment fees it collects from students. This means that for each $26/unit, RCCD receives 52 cents.

M RCCD doesn’t do enough to attract other revenue.
F RCCD colleges currently have $54 million in public and private grants at work, increasing access to college and improving completion rates. Since 2005, the RCCD Foundation has raised nearly $20 million in cash, pledges, and planned gifts in scholarship and program support. Fundraising and grants remain a priority.

CLASS SECTION REDUCTIONS

M RCCD can solve the budget shortfall without reducing class sections.
F The State Legislature has reduced funding for California community colleges by $800 million over the last three years. With the state continuing to reduce funding, forcing workload reductions, and directing cuts in such area as PE, it simply is not possible for RCCD to avoid cutting sections. Yet 85% of cost reduction solutions for 2011-12 don’t involve section cuts.

M The District and Board of Trustees determine which classes are offered.
F Each college is given a budget. Within that budget, the college decides which class sections and services are offered during an academic year.

M RCCD has reduced class sections rather than cutting other non-instructional costs.
F The District and Colleges have implemented a hiring freeze, non-critical travel restrictions, management furloughs, and other cost-containment measures. RCCD also is offering an early retirement incentive to all eligible faculty, staff, and managers.

FINANCIAL STEWARDSHIP

M RCCD, like other public agencies, wastes taxpayer money.
F RCCD is leveraging $350 million in Measure C funding to gain additional state construction dollars. This leveraging will yield an estimated $752 million in new construction and improvements at its colleges. In 2010, RCCD’s positive bond rating resulted in $34 million in interest savings.

CONSTRUCTION

M If RCCD stopped college construction, that money could be used to solve the budget issue.
F Measure C cannot be used for operating costs. Construction is funded with voter-approved Measure C dollars, which can only be used for capital projects and infrastructure improvement. (also see Financial Stewardship section)

M Given California’s economic problems it doesn’t make sense to construct new college buildings.
F State-of-the-art facilities and programs are needed to prepare students for 21st century jobs and careers. RCCD construction also provides benefits by creating 5,700 new local jobs.

IMPACT OF GOVERNOR’S MAY REVISE

M The Governor’s May Revise solves the financial problems facing community colleges.
F The Governor’s May Revise proposed budget does seek to relieve some of the financial burden on community colleges by reducing the massive level of deferral payments from $961 million to $611 million. This will lessen some college districts’ cash flow problems. However, the overall funding cut to community colleges remains at $400 million.
RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: III-E-1

Date: June 21, 2011

Subject: Tentative Budget for 2011-2012 and Notice of Public Hearing on the
2011-2012 Budget

Background: On or before the first day of July, the District is required to develop a Tentative
Budget for the ensuing fiscal year and to forward a copy to the Riverside County Superintendent of Schools. The Tentative Budget for FY 2011-2012 is attached for the Board’s review and consideration. Changes to this budget will be reflected in the Final Budget which will be submitted in September for Board approval.

The essential purpose of the Tentative Budget is to establish spending authority for the District from July first until such time as the Final Budget is adopted by the Board of Trustees in September. This two-part budget process is necessary due to uncertainties associated with both the State budget for the coming fiscal year and the State’s “Second Principal Apportionment (P2)” report for the then current fiscal year.

It should be observed that the Riverside Community College District has adopted an approach to the Tentative Budget which yields a modified, continuing resolution budget. Thus, the Tentative Budget for fiscal 2012 reflects a continuation of the adopted FY 2010-2011 Budget, albeit, with certain modifications as described in the attachment.

The FY 2011-2012 Tentative Budget takes into consideration the Governor’s May Revise budget proposal. The primary impact is a workload reduction of 5.3% which will reduce our funded credit Full-Time Equivalent Students (FTES) by approximately 1,439 to 25,250, resulting in a decrease to State general apportionment revenue of approximately $6.8 million. Accordingly, targeted credit FTES for the District has been established at 26,357, leaving 1,107 as projected unfunded credit FTES.

Additionally, in accordance with Title 5, Section 58300, the Tentative Budget must indicate the date, time and location at which the Board will hold a public hearing concerning the Final Budget proposal. The staff recommends that the Board set September 20, 2011 as the date for the public hearing. Also, and pursuant to Title 5, Section 58301, the Final Budget proposal must be made available for inspection three (3) days prior to the public hearing. We plan to use the Office of the Vice Chancellor, Administration and Finance, for this purpose. Finally, we will publish this information in The Press Enterprise.

Recommended Action: It is recommended that the Board of Trustees approve the 2011-2012 Tentative Budget, which consists of the funds and accounts noted therein, and authorize staff to forward a copy to the Riverside County Superintendent of Schools.

It is also recommended that the Board of Trustees announce that: 1) the proposed 2011-2012 Budget will be available for public inspection beginning September 15, 2011, at the Office of the
RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: III-E-1 Date: June 21, 2011

Subject: Tentative Budget for 2011-2012 and Notice of Public Hearing on the 2011-2012 Budget (continued)

Vice Chancellor, Administration and Finance; and 2) the public hearing will be held at 6:00 p.m. at a Board meeting on September 20, 2011, to be followed by the adoption of the 2011-2012 Final Budget. It is further recommended that the Board authorize the Chancellor to sign a notice relative to these dates.

Gregory W. Gray
Chancellor

Prepared by: James L. Buysse
Vice Chancellor, Administration and Finance

Aaron S. Brown
Associate Vice Chancellor, Finance
RIVERSIDE COMMUNITY COLLEGE DISTRICT
ASSUMPTIONS FOR FY 2011-2012 BASE BUDGET
RESOURCE 1000
(in millions)

1. FY 2010-2011 Ending Balance Projection:
   a. FY 2009-2010 Adjustments Include:
      i. No Audit Adjustments
      ii. P1 Apportionment Recalculation $ .31
   b. FY 2010-2011 Adjustments Include:
      i. State Mandated Cost Reimbursement $ .54
      ii. Major Gifts Campaign Receivable Write-Off ($ .89)
      iii. Projected Salary, Benefit and Operating Savings $2.95
      iv. General Fund Backfill Reduction to Disabled Students Programs and Services $ .36

2. FY 2011-2012 Base Revenue Budget Adjustments Include:
   a. No COLA
   b. No Growth
   c. Reduced State General Apportionment Revenue ($6.80)
   d. Discontinued ARRA Federal Stimulus Funding ($ .07)
   e. Decreased Lottery Revenue ($ .22)
   f. Decreased Interest Income ($ .10)
   g. Incoming Interfund Transfers:
      i. Resource 4130 - La Sierra Capital:
         a. Pre-Funding FY 2010-2011 Early Retirement Incentive Savings ($3.39)
         b. Major Gifts Campaign Receivable Write-Off $ .89
         c. Performance Riverside Accumulated Deficit Assumption $ .79
         d. Remaining Budget Shortfall $1.12

3. FY 2011-2012 Base Expenditure Budget Adjustments Include:
   a. Full-Time Step and Column $ .65
   b. Health and Welfare Benefits (estimated 8% increase) $1.11
   c. PERS Increase (from 10.707% to the PERS Board's adopted rate of 10.923% which is a reduction from the earlier PERS projected rate of 13.3%) $ .10
   d. Unemployment Insurance and Other Employee Benefit Increases $ .72
RIVERSIDE COMMUNITY COLLEGE DISTRICT
ASSUMPTIONS FOR FY 2011-2012 BASE BUDGET
RESOURCE 1000 (continued)
(in millions)

c. Positions - New/Frozen/Unfrozen/Converted/Growth, Excluding Potential New Early Retirement Savings ($2.77)
f. First year repayment of the FY 2010-2011 Early Retirement Incentive to Resource 4130 (La Sierra Capital) $ .68
g. Increases to Contracts/Agreements $ .10
h. Reverse Prior Year Riverside City College Augmentation ($ .10)
i. Utilities Increase $ .10
j. Tentative New Facility Operating Costs $ .49
k. Board of Trustees Election Cost Elimination (Off-Year) ($ .66)
l. Class Schedule/Catalog Printing Cost Reduction ($ .17)
m. March Education Center and March Dental Education Center Rent Elimination ($ .18)
n. Reduce Short-Term Temporary and Student Labor by 20% ($ .37)
o. Management Furloughs ($ .28)
p. Enrollment/Schedule Reductions ($2.93)
q. Estimated New Early Retirement Incentive Annual Funding Cost $ .60
r. Intrafund Transfers:
i. Bookstore (Resource 1110) $ .19
ii. Disabled Students Programs and Services (Resource 1190) ($ .36)
iii. Federal Work Study Match Due to New Norco and Moreno Valley College Allocations (Resource 1190) $ .23

4. FY 2011-2012 Ending Balance Target:
   a. The Resource 1000 5% contingency equals $7.60 million; however a 3% contingency balance has been included in the amount of $4.58 million as a budget strategy to mitigate the impact of the District’s projected shortfall.
April 4, 2011

The Little Hoover Commission

925 L Street, Suite 805
Sacramento, CA 96814

Honorable Members of the Commission,

I appreciate the opportunity to testify before you on April 28, 2011 and provide this document in preparation for that discussion. The majority of my career was devoted to the California Community Colleges (CCCs) in one way or another. I hold the colleges and those that lead them in high regard. At the same time the Commission is most timely in asking searching questions about key aspects of the operations of the colleges and the results they provide for students and the state. Though I am associated with organizations that speak to issues in higher education, I do not represent them before you; the opinions expressed here are mine alone.

The colleges have much to be proud of and, over a long period of time they have served California very well. There can be no doubting their contribution to the economic and social health of the state by providing opportunities for students, many of whom would likely not have achieved as much without the programs they offer. However, like all large and complex organizational phenomena, over time the CCCs have been impacted by events beyond their control and subject to the accumulation of well intended controls that have become most burdensome, negatively affecting the efficiency and effectiveness of college operations.

The last attempt to take a sweeping look at the colleges took place in 1988 when John Vasconcellos spearheaded a review that ultimately resulted in AB 1725. No similar review has been conducted since. Importantly, the vaunted Master Plan for Higher Education (the Donohoe Act of 1960) is woefully dated and has not been significantly revised in decades. As a result, there is much in need of attention. I will discuss the issues of which I think you should be aware under four headings.

Mission and Funding
The culture of the community college is founded on excellence in teaching (as opposed to research) and close linkages to a defined community. This has meant attempting to meet the needs of a growing list of community interests. This is fine when resources are adequate to these undertakings. However, the long list of programs now available in the CCCs cannot be well provided in the current economic environment and for the foreseeable future. In my view the times require a dispassionate look at the needs of the state (after all, it is the California taxpayer who supports the vast proportion of the expenses of the CCCs) and the specific community involved and then asking the colleges to provide only those services that are of the highest priority. And we should expect these services to be very well provided. Traditionally, the core of community college offerings have related to transfer and vocational education. The provision of large basic skills programs has been an understandable adaptation to large numbers of enrollees who are not ready for collegiate work. In most instances the community college is not the best place to deliver sub-collegiate material.

Whatever the official mission of the colleges is to be, the funding mechanism used to support it should align such that the colleges receive incentives to deliver what the state wishes to pay for. As things are today, the state is paying for access to CCC offerings (based on the number of full-time-equivalent students in attendance on the third week of each semester). It is not only access that the state needs; of at least equal importance is completion. I would urge the Commission to pay close attention to the CCCCCO’s Task Force on Student Success now developing a plan to enhance student completion. It is essential, in my mind, that that plan include a revision of the CCC funding formula that pays the colleges for not only students who enroll in courses but also students who complete courses and programs. In this regard I encourage you to become familiar with proposals that would do this. One particularly thoughtful formulation has been authored by Bill Scroggins, president of College of the Sequoias, and I am sure he would be pleased to share it with you.

Regulation

From a regulatory standpoint, the CCCs grew out of k-12 education. In the 1960s and 70s there were attempts to provide relief from some of the difficulties this involved. With the passage of Proposition 13 and the replacement of local property tax revenues by state-raised tax revenues, the legislature became a refreshed locus of rule-making, and this has persisted for over three decades. The result of all of this is an enormous assemblage of code and regulation, all well intended, but much either dated or simply very hard to implement or deleterious to college operations when implemented. For some colleges intrusions such as those represented by the “50% rule” (requiring half of the campus general fund budget to be spent on “instruction” as defined), or “75/25” (that requires campuses to work toward offering 75% of their classes by full-time instructors), or myriad other constraints on local flexibility inhibit the colleges from performing at their best, and in many cases from operating efficiently. From time-to-time the CCC Chancellor’s Office has attempted to streamline all of this, but so far with no significant result. The time is long overdue for a panel of well-qualified persons to review the regulatory circumstances of the colleges and to put forward a design for a major overhaul. The
objective should be a greatly reduced code of regulation that provides local flexibility with reasonable provisions for accountability to the state.

Leadership

Whatever the mission or regulatory environment—or for that matter, whatever governance arrangements are in place—successful community college operations require top-notch administrative leadership. In fact, the more problematic the conditions within which the college operates, the more talent required of the leadership to produce desired outcomes. Over the last ten years or so there has been a large turnover of college leaders, primarily due to the retirement of a generation of college presidents and vice presidents. Even before this, the turnover rate of CCC chief executive officers began to increase and average time-in-office fell. The last datum I recall on this matter indicated average CEO tenure of around four years and falling. Further, the credentials of those who are assuming these key positions are less impressive than was the case in the past; both levels of experience and formal academic preparation are reduced. Through the 1980s, a search to fill a vacancy in a CCC presidency would typically attract 100 or more candidates from throughout the country, many highly qualified. In recent years similar selection processes involve 20 or 30 candidates, few from outside of California, many with limited qualifications. Where first class leadership is not present at a college there is an increased likelihood of regulatory and accreditation compliance problems, and poor college outcomes performance.

There are many reasons for this including the increasing difficulty of senior management positions, until recently a lack of advanced professional development opportunities on the West Coast, a lack of incentives for the most talented faculty leaders to transition to junior administrative posts, and a variety of policy issues that make administrative positions unattractive (e.g., most districts provide no sabbatical type development opportunities for administrators; included in AB 1725 is a provision that prevents a person who has gained tenure in one district from transferring to another district without foregoing tenure).

While I believe the leadership problems described here will continue for some time, there are reasons for a bit of optimism. Now that the California State University is authorized to grant the EdD degree, aspiring leaders can find convenient opportunities for doctoral study; and some presidents are reporting enhanced talent flowing into junior positions, perhaps the result of changes in salary schedules that provide enhanced financial incentive. I would urge an initiative that examines the state of community college leadership, in all of its complexity, with an eye toward developing policy improvements that will attract and support outstanding leaders.

Governance
Nobody—nobody—would design for the CCCs the governance arrangements that are now in place. The various elements tell of incremental changes that resulted from origins in k-12 districts (local boards, elected and appointed), the State Master Plan for Higher Education (the Chancellor’s Office and the Board of Governors), Proposition 13 (and the rise in prominence of legislative oversight) and the reform movement of 1988 (AB 1725 and a formal version of “shared governance”)—to name just a few key components. The result is neither strong local control, nor a coherent, centralized state-wide system. The CCC Chancellor’s Office operates within the civil service system, primarily charged with trying to speak for all of the 72 districts (particularly with regard to funding) while at the same time responsible for enforcing the over-extensive code and regulation generated by the legislature. Without “millage authority,” local boards have little control over the fiscal fate of their districts. Rather, they are primarily concerned with performing routine required approvals. Most significantly, the dynamics of board elections since the passage of the Rada Act in 1976 has made the influence of collective bargaining agents crucial. Particularly in urban areas, but to some degree in most districts, unions have adroitly used their resources to elect board members friendly to their interests. In no few cases, this has resulted in situations where “management” is stuck between the union representatives at the bargaining table and union-elected board members when it is time to authorize a contract. This is not in the public interest. Local boards involve other problems including micro-management, “grandstanding” by members interested in running for higher elected office, and the occasional truly eccentric person who gets elected to office (and I would note that in some districts not many candidates seek membership on a community college board, and it takes only a small number of votes to get elected).

Change in CCC governance arrangements, I am told, would be most difficult to achieve because local communities like the idea of an elected board (and there are in existence on the order of 500 elected CCC board members at this moment), and there is no significant constituency calling for strengthening a central authority. This may be good, because neither the strong local or highly centralized models are likely to be best for California at this time. Rather, I have been impressed by some of the thinking in recent years which would regionalize higher education in California around 10 or so “natural” sub-parts of the state. Within each region would be enhanced coordination between UC, CSU, CCCs and high schools, to make for better transitions for students and more efficient use of higher education resources. While the UC Regents, the CSU Trustees and the Board of Governors would continue to exercise overall state-level oversight and accountability for their segments, regional governance arrangements would be developed that would have some of the powers now exercised by the Regents, Trustees and Board of Governors, and the powers of the CCC local boards. Each community college would have some form of community advisory committee. Obviously there are many complexities that would accompany such a change, but the regional approach has the clear advantage of focusing higher education energies at a geographically sensible place—not a truly local community, but an area with a manageable population, within which are located all levels of higher education opportunities, economic coherence and a wide range of jobs. I am not ready to place a bet on regionalization, but I do believe that thinking along these lines is the most promising option available at this time.
The California Community Colleges represent an enormous state investment, are a significant organizational achievement, and have made vital contributions to the well-being of the state and millions of its individual citizens. The time has come to clearly define the obligations the colleges have to California and its citizens in the years ahead, and make changes that will enhance the abilities of the colleges to further its legacy.

I look forward to meeting with you to this end.

Best wishes,

David B. Wolf
FY 2011-2012 Budget Planning
As of February 23, 2011

Solutions Sustainability Analysis

**Question:** To what extent will the FY 2011-12 projected budget problem, though solved in the short term, continue into FY 2012-13?

- One-Time Only Solutions $ 8.30
- One-Time Solutions for One-Time Problems 1.63
- Ongoing “Base” Solutions 8.48

Total Solutions $ 18.41
## FY 2011-2012 Budget Planning
### As of February 23, 2011

### Solutions Sustainability Analysis (continued)

#### FY 2012-13 Projection

<table>
<thead>
<tr>
<th></th>
<th>Best Case</th>
<th>Middle Case</th>
<th>Worst Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Projection</td>
<td>$(1.88)(^1)</td>
<td>$(7.65)(^2)</td>
<td>$(11.18)(^3)</td>
</tr>
<tr>
<td>Exclude STRS</td>
<td>-</td>
<td>1.88</td>
<td>3.75</td>
</tr>
<tr>
<td>Revised Projection</td>
<td>$(1.88)</td>
<td>$(5.77)</td>
<td>$(7.43)</td>
</tr>
<tr>
<td>Prior-Year One-Time Solutions</td>
<td>$(8.30)</td>
<td>$(8.30)</td>
<td>$(8.30)</td>
</tr>
<tr>
<td>Projected Budget Problem, Fiscal Year 2012-13</td>
<td>$(10.18)</td>
<td>$(14.07)</td>
<td>$(15.73)</td>
</tr>
</tbody>
</table>

\(^1\) Assumes $5.94m in New State Funding  
\(^2\) Assumes $1.67m in New State Funding  
\(^3\) Assumes No New State Funding